



Insurance and Real Estate Committee

PUBLIC HEARING

Thursday, March 9, 2023

Connecticut Association of Health Plans

Testimony Regarding

S.B. No. 1159 (RAISED) AN ACT CONCERNING PHARMACY BENEFITS MANAGERS AND DRUG AFFORDABILITY AND TRANSPARENCY.

H.B. No. 6830 (RAISED) AN ACT ESTABLISHING A PRESCRIPTION DRUG AFFORDABILITY BOARD.

Pharmaceuticals continue to increase at an unsustainable rate with now 15-20% of the premium dollar attributed to the cost of drug coverage alone.

By way of background, PBMs negotiate with drug manufacturers for savings that are then passed onto consumers in the form of overall lower premiums or reduced prices at the point of sale. Under the concept of spread pricing, employers and other groups lock-in a fixed price for a schedule of drugs, similar to how a consumer might lock-in a fixed price with their local oil company, and the PBM either makes money, breaks even, or loses money depending upon the price they are able to negotiate with the manufacturer. Spread pricing contracts provide employers, and thereby consumers, stability and predictability in the price of their plan.

Employers and other PBM customers can choose different contract structures whereby they pay the same price paid by the PBM and then pay the PBM a flat fee if they choose, but that may subject an employer to a level of risk and volatility that they can't afford.

Likewise, PBMs have the capacity to pass-through negotiated rebates to customers at the counter upon purchase, but instead an employer may choose to use those rebate savings to reduce the overall health insurance premium.

Consider a local health plan that subcontracts their pharmacy benefit out to a PBM. That health plan typically uses the associated cost savings generated by the PBM to offer a competitive product in the marketplace. As such, that local health plan would be considerably disadvantaged if proposals advocated for by pharmaceutical companies were implemented.

In addition, such proposals would shield the general public from the true excessive cost of pharmaceuticals exacerbating the current trajectory of drug prices.

If the committee decides to move forward with the study, **we respectfully ask that the state's health insurers be included at the table.**

With respect to the drug affordability boards proposed, the Association welcomes the much needed focus the boards bring to excessive drug prices. We **respectfully ask that payers be represented** on the Board if the bills move forward.

Thank you for your consideration.